

Message Text

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ORIGIN AGR-01

INFO OCT-01 IO-13 ISO-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-11 /168 R

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FM SECSTATE WASHDC
TO USMISSION GENEVA PRIORITY

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USMTN

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: U.S. POSITION FOR MTN DAIRY SUBGROUP: JULY 3,
1978

1. PROBLEM: THE DAIRY SUBGROUP WILL MEET ON JULY 3 AND
CONTINUE IN SESSION UNTIL AN AGREEMENT IS REACHED. A
NUMBER OF ISSUES OF BOTH A GENERAL AND TECHNICAL NATURE
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REMAIN OUTSTANDING. THE FOLLOWING PROVIDES ADDITIONAL
GUIDANCE ON THOSE ISSUES.

2. U.S. OBJECTIVES: WE SEEK TO HAVE COMPLETED BY JULY 15
A TEXT ESSENTIALLY ACCEPTABLE TO THE UNITED STATES, UPON
WHICH U.S. NEGOTIATORS MAY BASE A DECISION AS TO WHETHER WE
WISH TO JOIN THE AGREEMENT OR NOT, CONSIDERING THE OVERALL

BALANCE OF THE MTN.

3. U.S. POSITION: THE U.S. DEL SHOULD CONTINUE TO BE GUIDED BY INSTRUCTIONS PROVIDED FOR RECENT DAIRY MEETINGS (TPSC 78-53, 78-66, 78-78). SUPPLEMENTARY GUIDANCE IS PROVIDED BELOW. DEL SHOULD AGAIN USE OWN INITIATIVE IN SUGGESTING DRAFTING CHANGES COMPATIBLE WITH U.S. OBJECTIVES, AND MAY AGREE TO SUBSTANTIVE DRAFTING CHANGES ON AN AD REFERENDUM BASIS.

4. DISCUSSION:

(A) ARGENTINE PROPOSAL ON SAFEGUARDS, SUBSIDIES, AND STANDARDS: WE CONTINUE TO EXPECT THE APPROPRIATE CODES TO COVER ISSUES IN THIS AREA ADEQUATELY. HOWEVER, SHOULD THESE CODES NOT ADEQUATELY COVER THESE ISSUES, THEY CAN BE ADDRESSED AT A LATER STAGE IN THE NEGOTIATIONS.

(B) ENTRY INTO FORCE: THE U.S. COULD NOT AGREE TO IMPLEMENT AN INTERNATIONAL DAIRY AGREEMENT BEFORE IT IS APPROVED BY CONGRESS AS PART OF THE MTN PACKAGE. HOWEVER, WE WOULD NOT LIKELY UNDERCUT AN IDA SHOULD IT BE PROVISIONALLY ENTERED INTO FORCE BY OTHER COUNTRIES AND WE COULD CONTINUE WITH OBSERVER STATUS AS IN THE PRESENT GATT SKIM MILK POWDER AGREEMENT, UNTIL FINAL APPROVAL BY CONGRESS IS OBTAINED.

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(C) RELATION OF THE ARRANGEMENT, ANNEXES, AND GATT: SINCE WE HAVE BEEN CONCERNED THAT GATT ARTICLE 20(H) NOT ACT AS A LOOPHOLE EXCEPTING THE ENTIRE DAIRY SECTOR (BY VIRTUE OF ITS BEING DEEMED PART OF AN INTERNATIONAL COMMODITY AGREEMENT) FROM TRADITIONAL GATT OBLIGATIONS (ESPECIALLY ARTICLE I, THE MFN PRINCIPLE), WE PROPOSE THAT THE FOLLOWING SENTENCE BE ADDED TO ARTICLE V OF THE IDA AS A NEW PARAGRAPH (C):

QUOTE (C) NOTHING IN ARTICLE 20(H) OF THE GATT SHALL PREVENT OTHER PROVISIONS OF THE GENERAL AGREEMENT FROM APPLYING TO THE TRADE COMMITMENTS LISTED IN ANNEXES (III) AND IV. END QUOTE.

(D) WITHDRAWAL: WITHDRAWAL FROM THIS AGREEMENT WOULD NOT RESULT IN COUNTRIES BEING ABLE TO RETALIATE OR SUSPEND SUBSTANTIALLY EQUIVALENT CONCESSIONS, SINCE THE OBLIGATIONS OF THE AGREEMENT ARE BASICALLY CONSULTATIVE AND COOPERATIVE IN NATURE. THUS ARTICLE IV(7)(B) SHOULD BE DELETED. FYI: THIS WOULD NOT APPLY, OF COURSE, TO COUNTRIES WITHDRAWING FROM OR VIOLATING BOUND COMMITMENTS IN GATT SCHEDULES, TO WHICH FULL GATT RIGHTS APPLY. END FYI.

(E) TERMS OF SALE: ON ARTICLE II(1), TERMS OF SALE, IN BOTH PROTOCOLS, WE CONCUR WITH GENEVA 9623 SUGGESTED AMENDMENT THAT QUOTE MINIMUM PRICES ARE EXCLUSIVE OF CREDIT CHARGES. UNQUOTE. IN ARTICLE III, PARA 4 TERMS OF SALE, DEL SHOULD PROPOSE THAT LAST PHRASE READ "... THIS SHALL BE CHARGED FOR AT PREVAILING COMMERCIAL RATES", REPEAT "RATES". FYI: THIS WOULD REFLECT FACT THAT THERE IS NO SINGLE COMMERCIAL RATE OF INTEREST ON WORLD MARKETS AND WOULD INCLUDE CCC EXPORT CREDIT, WHICH RATES ARE BASED ON USG BORROWING ON COMMERCIAL MARKETS. END FYI. THUS DEL'S SUGGESTION TO ADD QUOTE OR IN LINE WITH OTHER PREVAILING PRACTICES UNQUOTE WOULD NOT BE NECESSARY. ON ARTICLE III PARA. 8, DEL SHOULD PROPOSE THAT END OF LIMITED OFFICIAL USE

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SENTENCE READ QUOTE EXPORTS DESTINED FOR RELIEF PURPOSES, WELFARE PURPOSES, OR FOOD-RELATED DEVELOPMENT PURPOSES IN DEVELOPING COUNTRIES UNQUOTE. THIS WOULD PROVIDE FOR THE POSSIBILITY OF PL-480 SALES RELATED TO FOOD AND ECONOMIC DEVELOPMENT ASSISTANCE, AS WELL AS FOR STRICTLY WELFARE OR RELIEF PURPOSES. THUS DEL NEED NOT ADD QUOTE OR TO CONCESSIONAL SALES UNQUOTE TO THE END OF THAT PHRASE, AND SHOULD SUPPORT DELETION OF PARA. 9, WHICH WOULD GIVE THE DAIRY PRODUCTS COUNCIL VETO POWER OVER WELFARE AND SUCH SALES.

(F) DEROGATIONS: WE CONTINUE TO OPPOSE AUTOMATIC DEROGATIONS AS ADVOCATED BY CANADA FOR FEED AND BY JAPAN FOR WELFARE PURPOSES IN DEVELOPED COUNTRIES.

(G) FOB-CIF: WE REPEAT PAST INSTRUCTIONS THAT ONLY FOB U.S.-CANADIAN BORDER IS ACCEPTABLE TO U.S. ON PRICING ISSUE, BUT BELIEVE EC SHOULD TAKE THE LEAD IN OPPOSING CANADA ON THIS ISSUE.

5. THIS PAPER, TPSC 78-89, HAS BEEN APPROVED BY THE TRADE POLICY STAFF COMMITTEE. VANCE

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